

Statement of Estimated State and Local Revenue Impact

Date: April 6, 2007

Bill Number: H.B. 3103

Authors: Rice

Committee Requesting Impact: House Ways and Means

Bill Summary

A bill to amend Chapter 17, title 59, Code of Laws of South Carolina, 1976, relating to school districts, so as to provide for the creation of a statewide South Carolina school district, its governance, and its powers and duties; to provide for forty local councils and their powers and duties; to provide that the State Board of Education shall promulgate regulations; to provide that all assets and liabilities become those of the South Carolina school district; to provide that the district shall defend certain actions or proceedings on behalf of certain teachers; to provide for the reissuance of certain bonds pursuant to certain conditions; to provide for credit to be given in American sign language; to establish a character education policy; to provide for certain teacher in-service training; and to provide for students walking or biking to school; by adding Section [59-3-5](#) so as to provide that the Superintendent of Education must be appointed by the Governor upon the advice and consent of the Senate; to amend Section [1-30-10](#), relating to departments within the Executive Department, so as to provide that the Superintendent of Education must be appointed by the Governor; to amend Section [1-30-40](#), relating to the Department of Education, so as to provide that the South Carolina school district must be administered as part of the Department of Education; to amend Section [1-11-310](#), relating to school buses, so as to change a reference from the State Department of Education to the South Carolina school district; by adding Article 12 in Chapter 36 of Title 12 so as to impose an additional statewide sales tax equal to three percent for the support of the South Carolina school district; by adding Section [11-11-157](#) establishing the South Carolina School District Fund to receive the revenue of the additional sales tax imposed by this Act; by adding Section [12-37-253](#) so as to exempt all taxable property from all property tax millage imposed for school operations and to pay to the South Carolina school district the revenues of the South Carolina school district fund, less a reserve for shortfalls, for the taxes not collected because of the exemption allowed by this new Section, to provide that the fair market value of this exempted property is nevertheless considered taxable for purposes of bonded indebtedness and the index of tax paying ability and prohibit the use of these new sales tax revenues to supplement other State funding for public education; to repeal Chapter 5, Title 59, relating to the State Board of Education, Chapter 13, Title 59, relating to County Superintendents of Education, and Chapter 15, Title 59, relating to County Boards of Education, Sections [59-3-10](#) and [59-3-20](#), Article 11, Chapter 36, Title 12, and Sections [11-11-155](#) and [11-11-156](#); and to direct the Code Commissioner to change certain references from the State Department of Education and the State Board of Education to the South Carolina School District or the Superintendent of Education.

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REVENUE IMPACT ^{1/}

The additional 3% sales tax, not applied to accommodations and exempting food, is expected to generate \$1,705,500,000 in Fiscal Year 2007-08. Exempting all property from all school operating property taxes except for debt service is expected to cost \$2,434,043,328 in Fiscal Year 2007-08. In total this bill is expected to generate \$1,216,114,518 in additional revenue and reduce local revenues by \$2,012,839,958. In total this bill will reduce local revenues by \$796,725,440 in Fiscal Year 2007-08.

The attached table summarizes the revenues changes of this bill.

Explanation

The following sections of the bill have an impact on State or local revenue.

Section 12-36-1210

This bill would add Section 12-36-1210 imposing an additional sales and use tax equal to three percent on all taxable items pursuant to Chapter 36; however, the additional sales tax does not apply to the statewide accommodations tax or to unprepared food which may be lawfully purchased with USDA food coupons. The additional sales tax is expected to be implemented July 1, 2007. The additional three percent sales and use tax is expected to raise an estimated \$1,991,000,000 in FY2007-08. Excluding the accommodations tax from the additional sales tax would amount to an estimated reduction of \$63,000,000 in FY2007-08. Excluding food from the additional sales tax would amount to an estimated reduction of \$202,500,000 in FY2007-08. Excluding items subject to the maximum sales tax cap from the additional sales tax would amount to an estimated reduction of \$20,000,000. The net effect would be an estimated increase of \$1,705,500,000 in FY2007-08.

Section 11-11-157

This Section of the bill credits the revenue of the additional three percent sales tax imposed in 12-36-1210 to the South Carolina School District Fund.

Section 12-37-253

This Section exempts one hundred percent of the fair market value of all taxable property from all school operating property taxes imposed for everything except for property taxes imposed for the repayment of general obligation debt. We estimate this will exempt \$2,434,043,328 of property taxes that would have been paid under current law for school operations. This property is considered taxable property for purposes of bonded indebtedness and computing the index of taxpaying ability.

(D)(1) sets up a reserve equal to four percent of the South Carolina School District Fund. This reserve amount is expected to be \$68,220,000 in the first year.

Section 12-37-220(B)

This Section deletes language added by Act 388 which, effective for property tax years beginning after 2006, exempted one hundred percent of the fair market value of owner-occupied residential property from all school operating property taxes imposed for everything except for property taxes imposed for the repayment of general obligation debt. We estimate this will exempt \$489,423,370 of property taxes that would have been paid under current law on owner-occupied homes at the end of Tax Year 2007 which corresponds to Fiscal Year 2007-08. This property is considered taxable property for purposes of bonded indebtedness.

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Section 7

Article 11, Chapter 36, Title 12 is deleted. Article 11 was added by Act 388 and imposed an additional sales and use tax equal to one percent on all taxable items pursuant to Chapter 36; however, the additional sales tax does not apply to the statewide accommodations tax or to unprepared food which may be lawfully purchased with USDA food coupons. Deleting this Section would reduce revenues by an estimated \$584,480,339 in FY 2007-08.

SECTION 11-11-155 and 11-11-156

This bill also deletes these two Sections added by Act 388 relating to the Homestead Exemption Fund. Deleting these two Sections deletes language guaranteeing the \$2.5 million minimum reimbursement to school districts and counties and language sending any remaining revenues of the Homestead Exemption Fund to counties in order to provide an exemption from county operating taxes imposed on owner-occupied homes. In total, deleting these Sections is expected to reduce reimbursements to counties by \$95,094,857.

/s/ WILLIAM C. GILLESPIE, Ph.D.

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Chief Economist

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.